

Message Text

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PAGE 01 BRUSSE 04436 041759Z

42

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SAM-01 AID-05 EB-07 COME-00

OMB-01 TRSE-00 OPIC-03 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

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P R 041711Z MAY 76

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 6794

INFO AMEMBASSY LUXEMBOURG

AMEMBASSY TEL AVIV

AMEMBASSY THE HAGUE

C O N F I D E N T I A L BRUSSELS 04436

E.O. 11652: GDS

TAGS: ETRD, EGEN, PFOR, XF, IS, BE

SUBJECT: IMPACT OF ARAB BOYCOTT IN BELGIUM

REF: STATE 96935

1. BELGIAN FOREIGN MINISTRY OFFICIALS RESPONSIBLE FOR THE MIDDLE EAST HAVE BEEN UNAVAILABLE UNTIL TODAY, MAY 4. THE FOREIGN MINISTRY OFFICIAL WE HAVE NOW BEEN ABLE TO QUESTION INFORMS US THAT, WHILE THE BELGIAN GOVERNMENT OBJECTS IN PRINCIPLE TO DISCRIMINATORY ECONOMIC PRACTICES, IT IS NOT ACTIVELY OPPOSING THE ARAB BOYCOTT. THERE IS, ACCORDING TO THIS OFFICIAL, NO BELGIAN LEGISLATION OR REGULATION EXPRESSLY DESIGNED TO RESTRAIN LOCAL FIRMS FROM COMPLIANCE WITH BOYCOTT REQUESTS. MOREOVER, NONE IS PLANNED. THE BOYCOTT HAS IN FACT VERY LITTLE EFFECT ON CURRENT BELGIAN TRADE AND INVESTMENT IN EITHER ISRAEL OR THE ARAB COUNTRIES. OUR SOURCE SAID THAT BELGIUM THUS PREFERS TO LET SLEEPING DOGS LIE. A MORE PUBLIC AND FORTHRIGHT OFFICIAL STAND IN OPPOSITION TO THE BOYCOTT WOULD ONLY SERVE TO DRAW ARAB ATTENTION TO BELGIUM'S MINOR ECONOMIC TIES WITH ISRAEL, HE SAID, A
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PAGE 02 BRUSSE 04436 041759Z

DEVELOPMENT THAT THE BELGIANS DO NOT BELIEVE WOULD BE

IN THEIR ECONOMIC OR POLITICAL INTEREST.

2. CHECKS WITH THE BELGIAN GOVERNMENT'S OFFICE BELGE DU COMMERCE EXTERIEUR (OBCE), AND LOCAL BUSINESS/BANKING SOURCES CONFIRM THAT THE BOYCOTT HAS HAD VIRTUALLY NO EFFECT ON BELGIUM. AN OBCE OFFICIAL SUGGESTED THAT AS BELGIUM HAS NO IMPORTANT INVESTMENTS IN ISRAEL AND DOES NOT SELL ARMS THERE, THE ARABS PAY LITTLE ATTENTION TO BELGIAN ECONOMIC ACTIVITY IN THE MIDDLE EAST. AN OFFICIAL OF THE EUROPEAN HEADQUARTERS OF ONE LARGE MULTINATIONAL SAID THAT IT HAS NO RPT NO DIFFICULTY IN DOING BUSINESS IN THE ARAB COUNTRIES DESPITE THE FACT THAT ITS U.S. PARENT IS ON THE BOYCOTT LIST. SEVERAL LARGE U.S. AND BELGIAN BANKS UNANIMOUSLY REPORT THAT THE BOYCOTT HAS NOT AFFECTED THEM OR THEIR CUSTOMERS IN DOING BUSINESS IN EITHER ISRAEL OR THE ARAB COUNTRIES, OR BOTH AT THE SAME TIME. NONE OF THE SOURCES CONTACTED HAS OBSERVED ANY EXPLICIT SHIFT OF BUSINESS FROM THE U.S. TO BELGIUM STEMMING FROM THE BOYCOTT.

3. BELGIUM'S ATTITUDE ON THIS ISSUE IS CERTAINLY COLORED BY CURRENT TRENDS IN ITS TRADE WITH THE MIDDLE EAST. BELGIAN EXPORTS TO ISRAEL ARE MODEST (BF 5.9 BILLION IN 1975), FAIRLY STATIC IN GROWTH TERMS, AND HEAVILY WEIGHTED TOWARDS CONSUMER GOODS. ON THE OTHER HAND, BELGIAN EXPORTS TO THE ARAB COUNTRIES HAVE BEEN EXPANDING STRONGLY OVER THE PAST 18 MONTHS, LED BY SUBSTANTIAL SALES OF HEAVY EQUIPMENT AND TURN-KEY PLANTS. BELGIAN EXPORTS TO SAUDI ARABIA, EGYPT, AND ALGERIA COMBINED GREW BY OVER ONE-THIRD IN 1975, TO A TOTAL OF MORE THAN TWICE THAT OF SALES TO ISRAEL. THIS SURGE HELPED BELGIUM TO WEATHER LAST YEAR'S RECESSION. IT CONTINUES TO PROP UP BELGIAN EXPORT PERFORMANCE AT A TIME WHEN DEMAND FROM ITS MAIN CUSTOMERS IN WESTERN EUROPE IS ONLY BEGINNING TO REVIVE. FIRESTONE

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